



A Study on Agricultural Loans offered by NABARD to Farmers

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Abstract

This study delves into the comprehensive landscape of agricultural loans disbursed by the National Bank for Agriculture and Rural Development (NABARD) to farmers in India. The research scrutinizes the varied purposes for which these loans are extended, encompassing crop cultivation, animal husbandry, dairy farming, poultry, fisheries, and agro-processing. Emphasizing the different loan types – short-term, medium-term, and long-term – the investigation explores the interest rates associated with each category and evaluates the role of government subsidies in enhancing affordability. Additionally, the study investigates the credit delivery mechanism facilitated by NABARD through cooperative banks, regional rural banks, and commercial banks, ensuring an inclusive approach to reach farmers across diverse strata. The research underscores the technological impetus provided by NABARD, encouraging farmers to adopt modern agricultural practices and technologies. Special attention is given to risk mitigation measures, including crop insurance, designed to shield farmers from losses arising due to unforeseen circumstances. Keywords: NABARD, Agricultural Loans, Farmer Financing, Credit Delivery, Government Subsidies, Rural Development, Risk Mitigation, Financial Inclusion, Technological Adoption, Indian Agriculture.

Keywords: NABARD, Agriculture, risk mitigation, technologies.

1. Introduction

Agriculture is the practice of growing plants and livestock for the comfort of humans. Agriculture has been a key development in the rise of mankind's sedentary lifestyle. The cultivation of plants and food began many years ago to feed the urban population. Agriculture is the most important need of people living in the society. Agriculture is a major means of subsistence and a source of income for the populations. Agriculture provides most of the food and materials in the world. Agricultural products are Cotton, wool and leather. It also provides timber for construction and paper products. These products and the farming methods used will vary around the world. A large portion of the population in rural areas depends on agriculture as their main source of income, and agriculture contributes significantly to a country's Gross Domestic Product (GDP). Over time, many revolutions aimed at improving agriculture have occurred in the world or in a country. If we talk about agriculture, India has gone

Through several revolutions i.e. green revolution, yellow revolution, blue revolution, agriculture. The impact of agriculture on a country's biodiversity depends on agricultural activity. Major agricultural products can be broadly grouped into categories such as grains, fibers and raw materials. Food grains include grain or cereals intended for human consumption. Fiber is completely commoditized, cannot be consumed, and is grown entirely for money. Commodities are fully grown classes of cultures that can be used as industrial ingredients to craft other items

2. Start of Agriculture

For centuries, the development of agriculture has contributed to the rise of civilization. Before agriculture became widespread, people spent most of their lives hunting, killing wild animals and gathering wild plants. Around 11,500 years ago, humans gradually learned to cultivate food crops and roots, and began to live mainly from agriculture.

2,000 years ago most of the world's population began to live from agriculture. When people started growing crops, they also started collecting and raising wild animals. The domestication of wild animals and plants for human consumption. The first domesticated plants were probably rice or corn. Rice farmers in China from 7500 B.C.E. The first domestic animal was the dog (*Canis familiaris*) for hunting [1]. Sheep and goats were probably domesticated later. Humans have also domesticated cattle (*Bos Taurus*) and pigs (*Sus domesticus*). Most of these animals were once hunted for leather and meat. Now many are also sources of milk, cheese and butter. Eventually, domestic animals such as cattle were used for tillage, traction, and transportation. Agriculture allows people to produce food surpluses. They can use this extra food when crops fail or trade it for other goods. Food surpluses allow people to pursue other jobs unrelated to agriculture. Agriculture previously brought nomads closer to their land and led to the development of permanent villages. He is bound by trade. The new economy has been very successful in some areas, cities have grown and civilizations have grown. The first civilizations based on intensive agriculture appeared near the Tigris and Euphrates rivers in Mesopotamia (present-day Iraq and Iran) and along the Nile in Kemet (ancient Egypt).

2.1 Scenario

The National Bank for Agriculture and Rural Development (NABARD) is a development bank that provides financial assistance to farmers, rural entrepreneurs and agricultural organizations. NABARD offers a wide range of agricultural loan services to meet the needs of farmers and agronomists. Suppose a farmer living in a rural area wants to buy a tractor to increase his agricultural production. The price of the tractor is ₹10 lakhs. Farmers find the nearest NABARD branch and apply for a farm loan. The loan officer will review the application and verify the farmer's creditworthiness, collateral and repayment ability. Assuming that the farmer meets all eligibility criteria, NABARD approves a loan of ₹10 lakhs. Loan officers explain the terms and conditions of the

loan, including interest rates, repayment schedules, and requirements. Farmers agree to the terms and provide the necessary collateral, which can be land, crops or other assets. A loan is given to the farmer's bank; the farmer buys a tractor. Farmers repay the loan monthly for 5 years, including interest. The interest rate charged by NABARD varies from program to program and from borrower to borrower. Loan officers at NABARD branches monitor farmers' loan repayments throughout the loan period and provide guidance and support in case of problems. NABARD also provides additional services such as training assistance, training and job support to help farmers increase production and income. As a result, NABARD's agricultural loan program enables farmers and rural entrepreneurs to obtain affordable loans and improve their livelihoods. The loan process is transparent and the bank provides personal support to borrowers throughout the loan term.

2.2 Background of Agriculture

The development of agriculture enabled the rapid development of human civilization. This type of agriculture, which began with hunting and gathering, has now reached the stage of animal husbandry and the industrialization of agriculture. The first food crop planted was rice, followed by mango, soybean and adzuki bean. Sheep were first domesticated in Mesopotamia, cattle in modern Turkey, and pig farming began in Europe, East Asia, and South Asia. Researchers have many hypotheses to explain agriculture. Irrigation, cultivation of crops and fertilizers were advanced forms of agriculture developed in the 17th century. Modern agriculture raises or encounters issues such as water pollution, biofeedback, GMOs, agricultural subsidies, etc. leading to the adoption of alternatives such as the organic movement [2]. During the rise of sedentary human civilization, agriculture was a key development. The breeding of domesticated species provided a surplus of food and encouraged people to live in cities. The story began thousands of years ago. Pigs, sheep and cattle were domesticated more than 10,000 years ago. Plants are grown independently in 11 regions of the world. In

the 20th century, an industrialized agriculture based on scale emerged and dominated agricultural introduction. An estimated 2 billion people still depend on subsistence agriculture. The most important agricultural products are broadly divided into foodstuffs, fiber fuels and raw materials. More than a third of the world's workers are employed in agriculture, followed by services.

3. Improved Technology

For thousands of years, agriculture developed very slowly. One of the first agricultural instrument was fire. Native Americans used fire to control the growth of berry plants, which they knew would sprout quickly after forest fires. Farmers plowed small plots of land by hand, felled trees with axes, and ripped and plowed the ground with sticks. Over time, improved agricultural tools were made of bone, stone, bronze, and iron. New storage methods have been developed. People started storing food in jars and pits lined with clay for emergencies. They also began making clay pots and other vessels to hold and cook food. Around 5500 BCE. Mesopotamian farmers developed simple irrigation systems Farmers who bring water to their farms through canals can live in areas previously considered unsuitable for agriculture. In Mesopotamia, and later in Kemet and China, people organized and worked together to build and maintain better irrigation systems. Early farmers also developed improved plant varieties [3, 8]. For example, around 6000 BC. A new variety of wheat has emerged from South Asia and Kemet. It is more resistant than the previous cereals, its envelope is easier to remove and can be transformed into bread. As the Romans expanded their empire, they adopted the best agricultural methods from conquered peoples. They wrote manuals based on agricultural techniques observed in Africa and Asia, and adapted them for use in Europe. The Chinese also adopted agricultural tools and methods from neighboring empires. Vietnam's rice varieties mature quickly, allowing farmers to harvest multiple crops in a single growing season. This type of rice quickly became popular in China. Many medieval European farmers used open field cultivation systems. One

field is sown in the spring, another in the fall, and another is left uncultivated or fallow. The system keeps nutrients in the soil, increasing crop yields. The rulers of the Islamic Golden Age (peaking around AD 1000) in North Africa and the Middle East made agriculture a science. Farmers in the Islamic Golden Age learned to rotate crops. In the 15th and 16th centuries, explorers introduced new varieties of plants and new agricultural products to Europe. They brought coffee, tea and indigo (*Indigo era tinctoria*), a plant used to make blue dye, from Asia. They collected plants such as potatoes, tomatoes, maize (maize), beans, peanuts (*Arachis hypogaea*), and tobacco from the Americas. Some of them have become staple foods, expanding the range of people's diets [4, 9].

4. Role of Agriculture in India

Agriculture plays a crucial role in the Indian economy. More than 70 percent of rural families depend on agriculture for their livelihood. Agriculture is an important sector of India's economy, accounting for around 17% of GDP and providing employment for around 58% of the population. Indian agriculture has witnessed impressive growth over the past few decades. Food production increased from 51 million tonnes in 1950- 51 to 250 tonnes in 2011-12, the highest level since independence. Agriculture's share of GDP increased to 19.9% in 2020-21 compared to 17.8% in 2019-20. The last time the agricultural sector contributed 20% of GDP was in 2003- 04 [5, 6].

4.1 Basic Facts About Agriculture

- India is the largest cotton exporter in the world.
- India is the largest producer of ginger, okra, potatoes, onions, brinjal, cabbages etc. Among the vegetables.
- Sikkim is the first state in the world to claim 100% organic farming.
- India ranks second in the world in terms of agricultural production.
- India ranks 9th and 5th in the world in services and manufacturing, respectively.
- Over the past 15 years, the value of agricultural production in India has grown from US\$87 billion to US\$459 billion (annual growth rate of

12%). Globally, India ranks 9th in agricultural exports.

Agriculture gained international recognition as governments and non-governmental organizations recognized the need to increase production to ensure food security and improve the nutrition of population growth. The development of agricultural methods and solutions not only meet the need to be more productive, but also help farmer Manage and protect the environment. Agricultural productivity contributes to optimizing many land uses so that international agriculture scenarios protect natural habitats [7]. In fact, millions of hectares of crops worldwide become unproductive each year due to soil erosion. Most of the soil is lost due to traditional tillage for weed control.

5. Mission and Vision

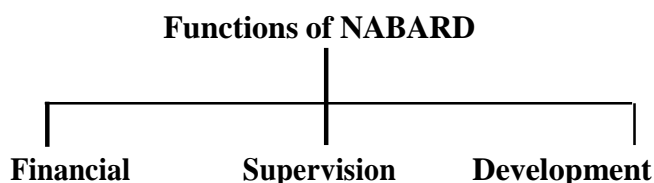
5.1 Mission

To promote sustainable and equitable agricultural and rural development to ensure prosperity through participatory financial and non-financial interventions, technology, institutional development and innovation.

5.2 Vision

To be a national development bank that promotes rural prosperity

5.3 Functions of NABARD



5.4 Financial Functions

NABARD performs the following functions in this section: The board of directors shown in Figure 1.

Rural Infrastructure Development Fund:

- The Government of India established the RIDF in 1995-96 with an initial corpus of Rupees. 20 billion.
- There are 37 eligible activities under RIDF, which can be grouped into three categories:
- Agriculture and related sectors -Social sectors
- Rural connectivity.

Micro Irrigation Fund:

- NABARD Started from MIF 2019-10 with corpus Rs.50 billion.
- The purpose of MIF is to provide additional resources for the expansion of micro-irrigation.
- Loans are provided for the development of food parks and food processing units in designated food parks.
- Loans for warehouses, cold stores and cold chain infrastructure to develop storage infrastructure in India.
- Credit facilities to marketing associations and cooperatives to create value/supply chain management for various agricultural products.
- Provides direct refinancing facilities to partner banks.

Flow chart:

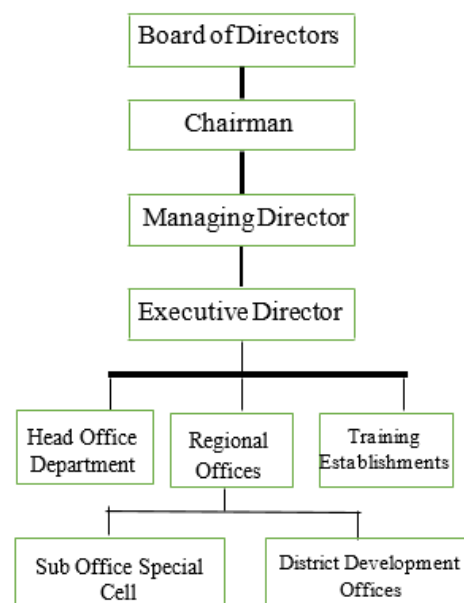


Figure 1 Board of Directors

Supervision Functions:

The Banking Supervision Act 1949 authorizes NABARD to carry out inspections:

- State Cooperative Banks (STCBs)
- District Central Cooperative Banks (DCCBs)
- Regional Rural Banks (RRBs)
- State Cooperative Agriculture and Rural Development Banks (SCARDBs).

Regulatory Objectives:

- NABARD monitors to protect the interests of current and future investors. Ensure that these banks operate in accordance with the provisions of relevant laws, rules and regulations.
- NABARD ensures compliance and adherence to rules and guidelines issued by NABARD/RBI/Government.
- Recommend ways to strengthen institutions so that they can play a more effective role in providing credit to rural India

6. NABARD Scheme

NABARD is authorized to provide credit and other financial facilities for the promotion and development of agriculture, cottage industries, small industries, village industries, handicrafts, etc., NABARD deals with the financing of any agricultural activity related to rural development in India as the main objective of the agency is the development of rural Indian communities across the country. NABARD operates three divisions: Development, Regulatory and Finance. The National Bank for Agriculture and Rural Development (NABARD) plans to raise between Rs 300 crore and Rs 500 crore through green bonds, Reuters reported. The bonds would have maturities of five to ten years, but could change depending on market conditions.

7. Types of NABARD Loan

Short Term Loan: These are crop-based NABARD loans provided to farmers by various financial institutions to refinance agricultural production. The loan ensures food security for farmers and surrounding rural communities. When agricultural operations are seasonal, the NABARD scheme has approved short-term lines of credit of Rs 55,000 crore too many financial institutions starting from the 2017-18 financial year.

Long Term Loan: These loans are granted by various financial institutions and are used for agricultural or non- agricultural activities. Their terms are much longer than short-term loans, ranging from 18 months to 5 years. Since FY 2017-2018, NABARD has provided nearly Rs 6,524 crore in refinancing to financial institutions, including Rs

15,000 crore in concessional refinancing to Regional Rural Banks (RRBs) and Cooperative Banks in India

RIDF or 'Rural Infrastructure Development Fund': RBI introduced the RIDF under the NABARD program as they saw a shortage of loans needed to support their priority rural development sectors. Loans disbursed in the financial year 2017-2018 amounted to Rs 24,993 crore, mainly focused on rural infrastructure development.

LTIF or 'Long-Term Irrigation Fund: It was introduced under the NABARD loan to finance a total of 99 irrigation projects with a loan amount of Rs. 20,000 crores.

PMAY-G or 'Pradhan Mantri Awaas Yojana - Gramin': Under this financial plan, NRIDA or National Rural Infrastructure Development Authority secured a loan of Rs 9,000 crore for a project to build pukka houses with all basic amenities for poor families by 2022.

NIDA or 'NABARD Infrastructure Development Assistance': NIDA is a sub-program of the NABARD program that specializes in extending credit to any financially well off institution or public enterprise. Therefore, NABARD also uses this program to refinance non-private programs.

Warehouse Infrastructure Fund: The Storage Infrastructure Fund provides scientific storage infrastructure for agricultural products. Initial loan in the amount of Rs. 5000 provided by NABARD during the financial year 2013-14. As of March 31, 2018, the amount paid was 1 million yuan. 47.78 million.

Food Processing Fund: Under the NABARD Food Processing Fund, the Government of India has committed a loan of Rs. Rs 541 crore will be disbursed for 11 large food park projects, 1 integrated food park project and 3 rural food processing units in India.

Direct Lending: The NABARD program has approved loans of Rs 4,849 Crore especially for Cooperative Banks which will assist four state-owned Co-operative Banks and 58 Cooperative Commercial Banks (CCBs) spread across the country.

CFF or ‘Credit Facility to Marketing Federations’: These NABARD loans facilitate the marketing of agricultural events by financially strengthening marketing associations. As of 2018, the amount paid to these federations is Rs. A total of Rs 25,436 crore.

PACS or ‘Primary Agriculture Credit Societies’: NABARD also offers a unique Producer Organization Development Fund, or PODF for short. The objective is to provide financial support to PACS that essentially operate as “multi-services”.

8. Interest of NABARD Scheme

- Short Term refinance assistance: 4.50% onwards
- Long Term refinance assistance: 8.50% onwards
- Regional Rural Banks (RRBs) and State Cooperative Banks (STCBs): 8.35% onwards
- State Cooperative Agriculture and Rural Development Banks (SCARDBs): 8.35% onwards

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